

COUNTY OF SAN MATEO

INTER-DEPARTMENTAL CORRESPONDENCE

DATE May 8, 1978

TO: Board of Supervisors

FROM: David L. Nichols, County Manager *DLN*

SUBJECT: Statistical Projections Regarding Propositions 8 and 13

Real prop. tax - Rates & tables - Comp.
Real property tax - California

Using Assessor's appraisal data and assumptions about future property value increases and changes in ownership, staff has prepared projections showing the impact of Propositions 8 and 13. These figures clearly show the potential long-term problems caused by Proposition 13. The materials are attached, but I want to highlight some key points:

1. Under current law and Proposition 13, the relative tax burden will shift from business property to homeowners. Proposition 8 halts this process. Using a 12% annual increase in valuation and a 14% change in ownership factor for residences, homeowners by 1983 would pay 66% of the secured property tax under current law. Under Proposition 13 they would be paying 60%, but under Proposition 8 the homeowner tax share would be only 41.5% (see Table VI).
2. Proposition 8 will force down homeowner tax rates in two ways. First, tax rates must drop to offset the assessment increases so that revenue will not increase more than the inflation rate for government services. Second, homeowners will receive a further rate reduction of 30%. Assuming a countywide tax levy increase of 6% for 1978-79, homeowner tax rates would drop an average of 52% in 1978-79 to produce an average tax dollar savings of 25%. If local agencies held the line on taxes, the savings would be 31% to 32%. Table I shows projected tax rate detail by city.
3. It is possible to construct a scenario where reassessment wipes out Proposition 8 homeowner benefits. Table II shows that between 1% and 2% of homeowners in San Mateo County may be so affected. The "break-even" point is an assessment increase between 84% and 102%. Countywide homeowner assessment increases averaged 37%. Under Proposition 13, there are also possible situations where taxpayers fail to receive a tax reduction. If a home changed ownership in 1978 and the appraised full cash value has dramatically increased above the norm since 1975, a "break-even" or tax increase situation could occur. Since Proposition 13

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assessment roll has not been constructed yet, no estimate is possible in the percentage of taxpayers that would be affected. It should be pointed out that those failing to receive a tax break in the first year under Proposition 8 would get a decrease in 1979-80 when their property value is trended upward while others are reappraised. Those not getting relief under Proposition 13 would never get it; the following year their taxes would increase at least 2%.

4. Table IV shows how Proposition 13 will turn into a losing proposition for homeowners in the long run. Using a conservative 12% annual rate of appreciation and current change of ownership trends for homes and assuming Proposition 8 tax levy increases averaging 6% per year, 31% of San Mateo County homeowners will pay more in property taxes under Jarvis-Gann than under Proposition 8 by 1981; by 1987, the figure increases to 60%.
5. Eight single purpose special districts and five county service areas are financed entirely by property taxes and will have to absorb 50% to 60% financing cuts under Proposition 13. They are listed in Table V along with the affected communities.
6. Table VII takes an average San Mateo County home (\$70,000 full cash value) and projects Proposition 13 taxes for eight years using 12 different selling dates. The table also shows estimated taxes under current law (7% increase per year) and Proposition 8 (6% increase per year). By 1985-86, estimated taxes would be:

Proposition 8	\$1,198
Proposition 13	\$380 - \$2,080 depending on date of sale
Current Law	\$1,671

This chart graphically portrays the inequity that will occur under Jarvis-Gann. Here the same house will pay either \$380 or \$2,080 in taxes, a difference of 447% based solely on date of sale.

bmk

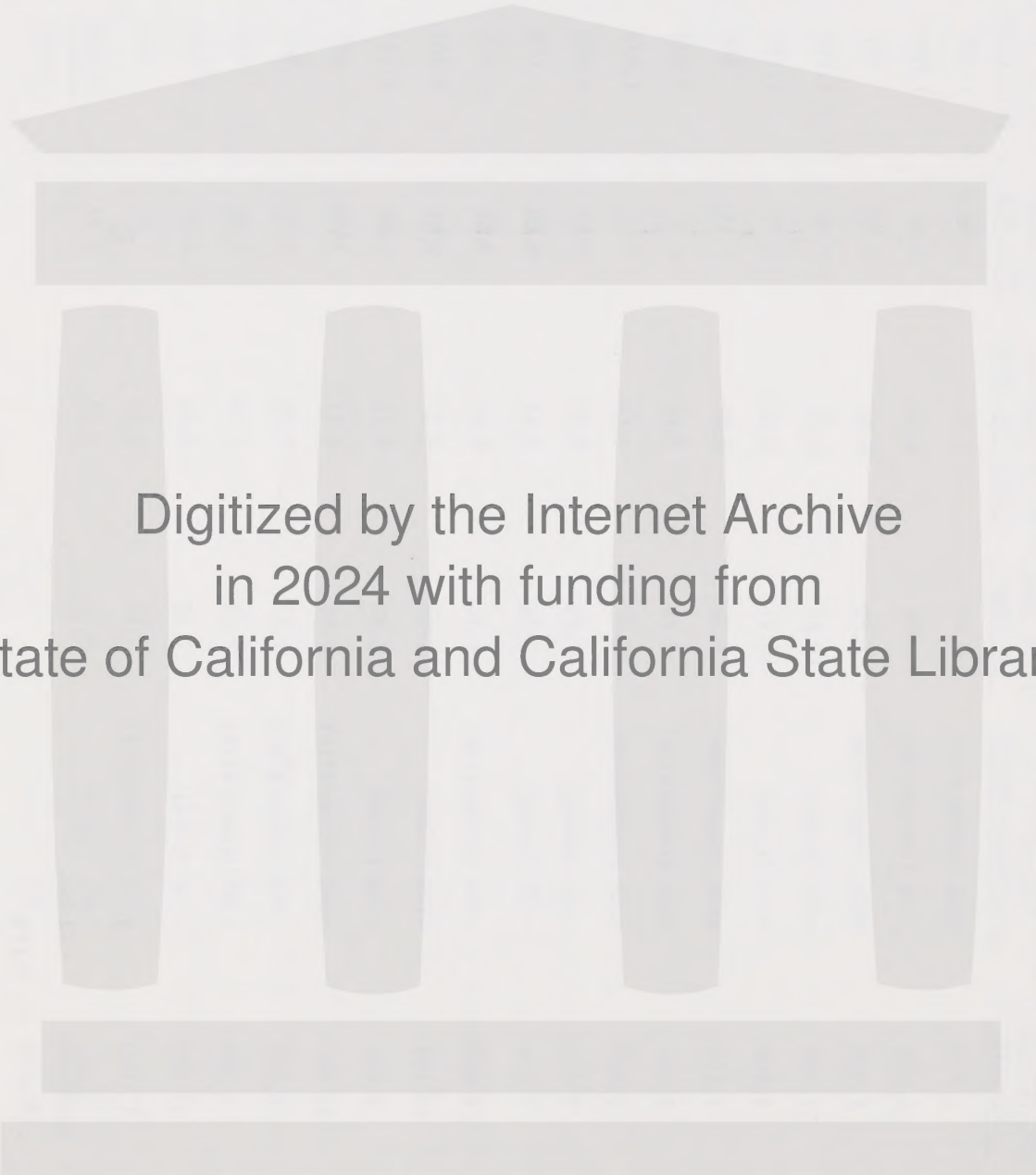
cc: San Mateo County Legislators
San Mateo County City Managers
County Administrative Officers
CSAC
League of California Cities

PROPOSITION 8 IMPACT ON SAN MATEO COUNTY (FIRST YEAR)

TABLE I.

May 4, 1978

ASSESSMENT IMPACT			TAX RATES			TAX DOLLARS	
City (or area)	Single-Family Parcels	Average S-F assessment change	77-78 Comp. Tax Rate	78-79 Homeowner Comp. Tax Rate	Homeowner Eff. Rate	Tax as % of Full Value	Avg. % Change from 1977-78 to 1978-79
Atherton	2,400	+50% (reappraise)	8.45	6.20	4.09	1.02%	-23%
Belmont	6,800	+53% (reappraise)	8.81	6.40	4.04	1.01%	-22%
Burlingame	5,000	+53% (reappraise)	7.30	5.45	3.59	.90%	-19%
Daly City (Brisbane)	17,300	+21% (trend)	10.60	8.51	5.36	1.34%	-32%
East Palo Alto	4,400	+10% (trend)	10.21	8.60	4.59	1.15%	-34%
Emerald Lake	2,100	+60% (reappraise)	7.54	5.47	3.44	.86%	-16%
Foster City	5,400	+52% (reappraise)	9.19	6.78	4.07	1.02%	-19%
Half Moon Bay (coastside)	5,500	+62% (reappraise)	10.01	6.79	4.28	1.07%	-16%
La Honda	3,700	+18% (trend)	7.70	6.16	4.11	1.03%	-33%
Hillsborough	7,600	+20% (trend)	8.18	6.44	4.20	1.05%	-33%
Menlo Park	6,800	+55% (reappraise)	7.31	5.45	3.54	.89%	-16%
Millbrae	6,800	+55% (reappraise)	7.31	5.45	3.54	.89%	-16%
Pacifica	13,100	+22% (trend)	11.08	8.91	5.61	1.40%	-29%
Portola Valley	2,300	+14% (trend)	8.40	6.76	4.47	1.12%	-36%
Redwood City	14,400	+56% (reappraise)	8.52	6.17	3.89	.97%	-18%
San Bruno	8,800	+54% (reappraise)	8.07	5.98	3.76	.94%	-17%
San Carlos	8,600	+45% (reappraise)	7.79	5.78	3.76	.94%	-21%
San Mateo	17,500	+19% (trend)	7.90	6.34	4.00	1.00%	-33%
South San Francisco	11,000	+55% (reappraise)	8.16	5.83	3.67	.92%	-19%
Woodside	2,300	+22% (trend)	8.12	6.46	4.32	1.08%	-32%
County Summary	145,000	37%				1.06%	-25%



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TABLE II

May 5, 1978

PROPOSITION 8: ANALYSIS OF EXCEPTION HOMEOWNER PROPERTIES RECEIVING LARGE ASSESSMENT INCREASES

<u>City (or Area)</u>	<u>Single-Family Parcels</u>	<u>Average Single-Family Assessment Change</u>	<u>Average Percent Change in Tax Dollars From 1977-78 to 1978-79</u>	<u>"Breakeven Point" Assessment Increase Producing Identical Tax Bills For 1977-78 to 1978-79</u>	<u>Percent of Taxpayers That will Pay More Taxes in 1978-79 Than in 1977-78</u>
Atherton	2,400	+50%	-23%	+97%	2% to 3%
Belmont	6,800	+53%	-22%	+102%	1% to 2%
Brulingame	5,000	+53%	-19%	+88%	5% to 7%
Emerald Lake	2,100	+60%	-16%	+96%	7% to 10%
Foster City	5,400	+52%	-19%	+101%	0%
Half Moon Bay, La Honda, coastside	5,500	+62%	-16%	+90%	2% to 3%
Millbrae	6,800	+55%	-16%	+88%	3% to 5%
Redwood City	14,400	+56%	-18%	+96%	1% to 2%
San Bruno	8,800	+54%	-17%	+91%	2% to 3%
San Carlos	8,600	+45%	-21%	+85%	2% to 3%
South San Francisco	11,000	+55%	-19%	+84%	3% to 5%
All other cities	68,200	+10% to +29%	-29% to -36%	--	0%
County Summary	145,000	+37%	-25%		1.1% to 1.8%

- 1) The "breakeven point" was computed using information from the "Proposition 8 Impact on San Mateo County (First Year)" chart.
- 2) Properties with significant construction are not considered in this analysis.
- 3) Vacant land was also excluded from the analysis.

PROJECTED TWO-YEAR IMPACT OF PROPOSITION 8 ON

SAN MATEO COUNTY HOMEOWNER TAX BILLS

<u>City</u>	<u>1977-78 Example Tax Bill</u>	<u>Action</u>	<u>1978-79 Estimated Tax Bill*</u>	<u>Compare Dollars to 1977-78</u>	<u>Action</u>	<u>1979-80 Estimated Tax Bill**</u>	<u>Compare Dollars to 1977-78</u>
Burlingame	869	appraise	704	-19%	trend	695	-20%
Daly City	1110	trend	755	-32%	appraise	888	-20%
Hillsborough	2272	trend	1522	-33%	appraise	1818	-20%
Menlo Park	1605	trend	1075	-33%	appraise	1284	-20%
Redwood City	862	appraise	707	-18%	trend	690	-20%
San Mateo	1069	trend	716	-33%	appraise	855	-20%
Countywide weighted average				-25%			-20%

*Close estimate of the maximum permissible 1978-79 tax bill for the example property due to SB 1.

**Rough estimate of the maximum permissible 1979-80 tax bill for the example property due to SB 1.

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May 4, 1978

TABLE IV

10 YEAR COMPARISON OF HOMEOWNER TAXES UNDER PROPOSITION 8 AND PROPOSITION 13

Fiscal Year	Homeowner Assessment Change	Countywide Average Tax Rate of % of Full Value	Percent of Homeowners Taxed Under 1% of Full Value	Percent of Property "Turned Over" Since 3/77	Homeowners Paying More On Prop. 13 than Prop. 8	
					#	%
78-79	+37%	1.06%	30%	14%	4,800	4.2%
79-80	+25%	.90%	80%	26%	24,000	11%
80-81	+12%	.85%	85%	36%	35,200	21%
81-82	+12%	.80%	90%	45%	46,600	31%
82-83	+12%	.76%	95%	53%	57,500	41%
83-84	+12%	.72%	100%	60%	69,000	53%
84-85	+12%	.68%	100%	66%	76,000	53%
85-86	+12%	.65%	100%	71%	82,000	60%
86-87	+12%	.61%	100%	75%	86,000	60%
87-88	+12%	.58%	100%	79%	91,000	60%

- 1) The 1978-79 data was extracted from the "Proposition 8 Impact on San Mateo County Homeowners (First Year)" chart.
- 2) "Turnover" includes sales, new construction, or any change of ownership (i.e. resulting from death or divorce). The statewide average turnover is 1 in 7 which is supported by San Mateo County data (i.e. 27,000 Deeds filed in fiscal 1977-78.) Therefore, 14% was used for the first year with some overlap assumed in future years (26% used instead of 28%).
- 3) An appreciation rate of 1%/month (12%/year) is assumed. The 25% increase in 1979-80 would still represent some "catch-up" work. Different appreciation rates would change the numbers, but not the overall comparison provided by the chart.
- 4) The cost of living increase under Proposition 8 is assumed to be 6%/year.
- 5) There are approximately 115,000 owner-occupied homes in San Mateo County.

City
 Burlingame
 Daly City
 Hillsborough
 Menlo Park
 Redwood City
 San Bruno
 San Francisco

LIST OF SAFETY DISTRICTS IN SAN MATEO COUNTY
FINANCED ENTIRELY BY THE PROPERTY TAX

Safety districts

Belmont fire district
Broadmoor police district
Colma fire district
County fire protection structure
County service areas (5) for police and fire
Half Moon Bay fire district
Menlo Park fire district
Point Montara fire district
Woodside fire district

Affected Communities

Atherton
Belmont
Daly City (some)
East Palo Alto
La Honda
Menlo Park
Montara
Pescadero
Portola Valley
San Carlos (some)
Woodside
Unincorporated areas adjacent to all of the above cities and Redwood
City, San Mateo, South San Francisco

May 5, 1978

TABLE II

PERCENTAGE OF SAN MATEO COUNTY PROPERTY TAX

BURDEN SHOULDERS BY HOMEOWNERS

<u>Fiscal Year</u>	<u>Present System</u>	<u>Proposition 13</u>	<u>Proposition 8</u>	
70-71	43.8%			Historical Percentages
72-73	43.9			
74-75	45.4			
75-76	47.1	(47.1)		
77-78	50.3	(49.3)		
78-79	61.6	51.2	41.5%	Current Percentages
79-80	63.3	53.5	41.5%	Projected Percentages
80-81	64.4	55.7	41.5%	
81-82	65.2	57.9	41.5%	
82-83	66.1	60.0	41.5%	

- 1) The historical percentages were derived from the San Mateo County Roll.
- 2) The projected percentages assumed homes would appreciate at 1% per month (12% annually) and business property would appreciate at 6% annually. If homes appreciate at a greater rate, the percentages under the "present system" and "Proposition 13" would be higher, but the "Proposition 8" percentage would remain fixed regardless of the appreciation rate of homes.
- 3) The assumed turnover rates were 14% for homes and 7% for other property, and both rates were gradually reduced in successive years to allow for overlap.

JARVIS-GANN (PROP. 13) PROPERTY TAX ESTIMATES

Year of Sale (Before 3/1)

Year Taxes Paid	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1978-79	331	414	525	700	331	331	331	331	331	331	331	331
1979-80	338	422	536	714	945	338	338	338	338	338	338	338
1980-81	344	431	547	728	964	1,180	344	344	344	344	344	344
1981-82	351	439	557	743	983	1,204	1,322	351	351	351	351	351
1982-83	358	448	569	758	1,003	1,228	1,348	1,480	358	358	358	358
1983-84	366	457	580	773	1,023	1,252	1,375	1,510	1,658	366	366	366
1984-85	373	466	592	788	1,043	1,277	1,403	1,540	1,691	1,857	373	373
1985-86	380	475	603	804	1,064	1,303	1,431	1,571	1,725	1,894	2,080	380

PROP. 8 PROP. TAX ESTIMATES VS CURRENT LAW

	Current Law	Prop:8 (SB 1)
1978-79	1,041	746
1979-80	1,113	798
1980-81	1,192	854
1981-82	1,275	914
1982-83	1,364	978
1983-84	1,460	1,046
1984-85	1,562	1,120
1985-86	1,671	1,198

1978 VALUE = \$70,000

INCLINATION TO VOTE ON JARVIS-GANN MEASURE
IF LEGISLATURE ENACTS BILL TO REDUCE PROPERTY TAXES
BY 40% ANNUALLY WITH 5% TRANSFER TAX

INCLINATION TO VOTE FOR PROPOSITION 13:

MORE

INCLINED INCLINED DIFFERENCE UNDECIDED

STATEWIDE	31%	40	8	21
NORTHERN CALIFORNIA	24%	41	10	25
SOUTHERN CALIFORNIA	36%	38	7	19
OWN HOME	33%	38	8	21
RENT	28%	43	8	21
REPUBLICANS	30%	35	10	25
DEMOCRATS	32%	40	8	20
UNDER \$7,000	20%	38	9	33
\$7,000 - \$9,999	35%	41	6	18
\$10,000 - \$14,999	32%	33	11	24
\$15,000 - \$19,999	34%	40	6	20
\$20,000 - \$29,999	28%	46	5	21
\$30,000 OR MORE	34%	48	10	8

JARVIS-GANN (PROP. 13)

HEARD OF/FAVOR	43%	29	15	13
HEARD OF/OPPOSE	13%	64	12	11
NOT HEARD/NO OPINION	30%	39	6	25

REACTION TO
JARVIS-GANN CONCEPT

GOOD IDEA	46%	24	10	20
BAD IDEA	18%	56	9	17
UNDECIDED/NO OPINION	28%	27	2	43

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